

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co.
Alternative Energy Allocation Methodology
Application

Case No. PU-24-99

ORDER

October 22, 2024

Preliminary Statement

On March 6, 2024, Montana-Dakota Utilities Co. (MDU) filed an application regarding its Fuel and Purchased Power (F&PP) Adjustment using the E8760 cost allocation method as an alternative to the current F&PP Rate 58 schedule (Rate 58).

On July 8, 2024, the Commission issued a Notice of Opportunity for Hearing providing until August 19, 2024, to receive comments or requests for hearing. No comments or requests were received.

The Notice stated that the issues to be considered in the proceeding are:

1. Whether the proposed cost allocation method is reasonable, and
2. Whether the cost allocation method should be approved.

The Notice stated that, if appropriate, the Commission can determine the matter without a hearing.

On August 28, 2024, the Commission held an Informal Meeting to discuss the application with MDU.

Discussion

On June 6, 2023, in Case No. PU-22-194, Montana-Dakota Utilities Co. 2022 Electric Rate Increase, the Commission approved the Settlement Agreement that provided that within nine months MDU file with the Commission an application regarding its fuel and purchased power cost rider that provides information about an alternative allocation option to the various classes using the E8760 allocation methodology in comparison with MDU's current methodology utilizing a flat energy allocator.

MDU currently utilizes two rates, primary and secondary, in its Fuel and Purchase Power Adjustment Rate 58 (F&PP) and uses a flat allocator between the two classes

without taking into consideration how hourly load shapes affect cost causation. The E8760 allocator addresses this issue by assessing the class contribution to the highest cost periods by analyzing its hourly load in comparison to the annual average system cost. To perform this analysis, MDU found it necessary to expand the number of classes within the F&PP and used 2019 data to determine the following:

Rate Class	Hourly Marginal Energy Costs x Hourly Loads	kWh Energy at Generator	Load-Weighted Marginal Energy Costs/kWh	Class Ratio
Residential	\$18,373,639	824,717,852	\$0.02228	1.0215
Small General	2,284,291	102,645,666	0.02225	1.0202
Large General Primary	9,287,078	437,894,544	0.02121	0.9725
Large General Secondary	19,105,489	881,724,263	0.02167	0.9936
Lighting Primary	25,756	1,293,517	0.01991	0.9129
Lighting Secondary	344,255	17,384,290	0.01980	0.9078
Total	\$49,420,509	2,265,660,132	\$0.02181	1.0000

The E8760 allocation methodology results in a higher cost per kWh for Residential and Small General rate classes, and a reduction for all other customer rate classes. The Commission determined that more analysis will be needed to better understand the overall impact of utilizing the E8760 allocation methodology and performing this analysis concurrently with MDU's next electric rate case along with MDU's established flat allocator methodology is the proper place for making a determination to require the usage of the E8760 allocator.

Order

The Commission Orders Montana-Dakota Utilities Co. shall file analysis utilizing the E8760 allocator methodology concurrent with its next electric rate case.

PUBLIC SERVICE COMMISSION


 Sheri Haugen-Hoffart
 Commissioner


 Randy Christmann
 Chair


 Julie Fedorchak
 Commissioner